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TO: Victor M. Mercado, Director
Chief of Utilities

FROM: Irvin Corley, Jr., Fiscal Analysis Director

DATE: May 4, 2007

RE: 2007-2008 Budget Analysis

24.

Attached is our budget analysis regarding your department's budget for the upcoming 2007-2008 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing. We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

IC:ss

Attachment

cc: Councilmembers
Council Divisions
Auditor General's Office
Roger Short, Finance Department Director
Pam Scales, Budget Department Director
Ervin Stewart, Budget Department Team Leader
Kandia Milton, Mayor's Office

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Sewerage Department (42)

FY 2007-2008 Budget Analysis by the Fiscal Analysis Department

Summary

The Sewerage Department is an Enterprise Agency that is administratively part of the Detroit Water and Sewerage Department (DWSD). It is maintained as a separate fund in the City of Detroit's accounting system.

The Mayor's Proposed Budget for 2007-2008 includes total appropriations and revenues of \$413,415,888, leaving a net tax cost to the City of \$0. This is a decrease of \$353,333,728. The decrease is primarily due to the lack of Revenue Bond sales of \$375,000,000.

2006-2007 Surplus/Deficit

There is no projected surplus or deficit for the Sewerage Department for fiscal year 2006-2007.

Overtime

The Mayor's Proposed Budget for 2007-2008 includes \$6,396,149 for overtime in the Sewerage Department. This amount is \$297,529 or 4.4% less than the 2006-2007 Budget of \$6,693,678. As of March 31, 2007, the Sewerage Department has expended \$5,268,060 in overtime.

Personnel and Turnover Savings

There are no projected personnel and turnover savings for fiscal year 2007-2008.

	Budgeted	Filled	Mayor's	Over/(Under)	Mayor's
	Positions	Positions	Budget	Actual to	Recommended
<u>Appropriation/Program</u>	<u>FY 2006-07</u>	<u>3/31/2007</u>	<u>FY 2007-08</u>	<u>06/07 Budget</u>	<u>Turnover</u>
Sewerage (42)					
421030 Document Management	6	3	6	(3)	\$ -
421070 Safety	3	1	3	(2)	\$ -
421090 Ofc. Of Program Management Asst.	18	14	18	(4)	\$ -
421100 Print Shop	3	2	3	(1)	\$ -
00089 Administration	30	20	30	(10)	\$ -
425010 Ofc. of Asst. Dir. of Wastewtr. Opns.	6	4	6	(2)	\$ -
425020 Plant Administration	904	643	904	(261)	\$ -
425140 I.W.C. Field Monitoring	112	74	112	(38)	\$ -
00162 Wastewater Plant Operations	1,022	721	1,022	(301)	\$ -
05831 Engineering Services-Sewage	124	80	124	(44)	\$ -
42XXXX Leave of Absence	0	(9)	0	(9)	\$ -
42XXXX Worker's Comp.	0	(6)	0	(6)	\$ -
42XXXX Unmatched Positions	<u>0</u>	<u>1</u>	<u>0</u>	<u>1</u>	<u>\$ -</u>
TOTAL	<u>1,176</u>	<u>807</u>	<u>1,176</u>	<u>(369)</u>	<u>\$ -</u>

Projected Layoffs and Position Changes

There are no proposed layoffs for the Sewerage Department in the Mayor's Proposed Budget for 2007-2008. There are no proposed position changes in the Mayor's Proposed Budget for 2007-2008.

Significant Funding Changes by Appropriation

<u>Appro.</u>	<u>Program</u>	
00089	Administration	<p>The Mayor's Proposed Budget for 2007-2008 includes \$41,200,290 for the Administrative Services of the Sewerage Department, which represents an increase of \$202,580 from the 2006-2007 Budget of \$40,997,710.</p> <p>Although the overall increase is slight, there is an increase of \$2,196,836 in the Office of the Director, which is made up of an increase of over \$2 million in Other Expenses.</p>
00090	Financial Services Group	<p>The Mayor's Proposed Budget for 2007-2008 includes \$5,462,804 for the Financial Services Group, which represents a decrease of \$352,296 from the 2006-2007 Budget of \$5,815,100.</p> <p>The decrease is largely due to a decrease in the amount of salaries and wages in the clearing transfer accounts that account for salaries and wages paid to employees of the Water Department for doing sewerage related work.</p>
00161	Asset Maintenance Group	<p>The Mayor's Proposed Budget for 2007-2008 includes \$10,883,994 for the Asset Management Group, which represents a decrease of \$5,540,939 from the 2006-2007 Budget of \$16,424,933.</p> <p>The decrease is largely due to a decrease in the transfer salaries, wages and benefits of \$3,496,707 to Water side and \$2,519,992 for mechanical operations administration due, offset by a \$307,562 increase in ground maintenance expense transfer and increases in maintenance and repairs.</p>
05831	Engineering Services	<p>The Mayor's Proposed Budget for 2007-2008 includes \$2,223,343 for Engineering Services, which represents an decrease of \$1,318,585 from the 2006-2007 Budget of \$3,541,928</p> <p>The decrease is largely due to a decrease in the salaries, wages and employee benefits in Engineering Administrative Services of \$1,062,282.</p>
00162	Wastewater Plant Operations	<p>The Mayor's Proposed Budget for 2007-2008 includes \$134,958,257 for Wastewater Plant Operations, which represents an increase of \$8,872,106 from the 2006-2007 Budget of \$126,086,151.</p>

The increase is largely due to an increase of \$5,472,746 in Contractual Services and an increase of \$8,740,954 for gas, offset by decreases of \$9,119,617 in plant administration.

00168 Bond Principle & Interest Redemption Fund

The Mayor's Proposed Budget for 2007-2008 includes \$218,687,200 under appropriations 00168, 00169, 00443, 05735, and 12139 for the Bond Principle & Interest Redemption Fund appropriation, which represents a decrease of \$355,196,594 from the 2006-2007 Budget of \$573,883,794.

The \$355,196,594 decrease is largely due to the lack of Revenue Bond sales in the amount of \$375,000,000.

Sewerage (42)

Budgeted Professional and Contractual Services by Activity	FY 2006-07 Budget	FY 2007-08 Recommended	Increase (Decrease)
Administrative Services	\$ 4,090,000	\$ 3,640,000	\$ (450,000)
Financial Services	-	-	-
Asset Management	2,364,000	2,313,000	\$ (51,000)
Engineering Services-Sewage	52,500	-	(52,500)
Sewer Operations	11,184,965	16,632,711	\$ 5,447,746
Sewerage-Capital & Debt Service	-	-	-
Total	<u>\$ 17,691,465</u>	<u>\$ 22,585,711</u>	<u>\$ 4,894,246</u>

Significant Revenue Changes

Revenue Project
00838 State Revenue Sharing-State Revolving (Bond) Fund

The Mayor's Proposed Budget for 2007-2008 includes \$8,723,300 for State Revenue Sharing, which represents an increase of \$2,080,500 from the 2006-2007 Budget of \$6,642,800.

The increase is due to an increase of the earnings on investment of \$2,080,500.

04828 Revenue-Sewerage Receiving

The Mayor's Proposed Budget for 2007-2008 includes revenue of \$398,215,088, an increase of \$19,981,272 from the 2006-2007 Budget of \$378,233,816.

The increase is primarily due to a \$12,238,200 in Sewage treatment sales, a \$6,227,500 increase in revenue from sewage treatment sales-wholesale and a \$1,415,372 increase in miscellaneous receipts. Council's approved rate increases bump up sales revenue.

04829 Revenue-Sewerage
 Operation-
 Maintenance

The Mayor's Proposed Budget for 2007-2008 includes revenue of \$608,000, a decrease of \$147,200 from the 2006-2007 Budget of \$755,200.

This is due to a decrease from the earnings on investment.

Issues and Questions

1. Why is there an overall decrease in salaries of \$3,554,781 if there is no change in the number of positions?
2. Why is there a \$4,869,246 increase in contractual services?
3. Why is there a \$2.2 million increase in the Office of Director (page 42-7)?
4. What is the overall impact of fuel increases to Sewerage's budget in 2007-08? What are your plans to reduce these costs?

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